

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Verizon California, Inc., To
Suspend Annual 900/976 Blocking Compliance
Report Required by Decision 91-04-065.

Application 04-02-011
(Filed February 6, 2004)

OPINION SUSPENDING REQUIREMENT TO FILE REPORT**Summary**

This decision finds that annual reports on the surcharge for 900/976 blocking costs are no longer necessary, and that the requirement for filing the reports should be suspended.

Background

In Decision (D.) 91-04-065¹ the Commission required Verizon California, Inc. (Verizon)² to impose a surcharge of \$0.02 per billed minute for all intrastate 900 and 976 calls³ to recover the costs of providing customers the option to block such calls. The Commission expected that the surcharge would recover these costs within 7 to 10 years. To monitor the cost recovery efforts and set the time

¹ Re Pacific Bell, 39 CPUC 2d 588 (1991).

² Then known as GTE California, Inc.

³ Service providers offered various types of information services, such as weather and sports scores, via calls to 900 and 976 numbers and charged customers per minute to access the information. Such charges were not regulated by this Commission and often resulted in large and unexpected bills.

for suspending the surcharge, the Commission directed Verizon to file annual reports showing the costs incurred, revenue collected, and estimated time necessary for the surcharge to fully recover the costs.⁴ Subsequent events have not unfolded as anticipated by D.91-04-065.

Verizon states that 900/976 usage has substantially declined over the last decade, with customers preferring content-based internet services (available at no charge). The surcharge revenue from 900/976 has dwindled such that full recovery of all incurred and on-going costs is now expected to take over 500 years. Given this unrealistically long cost recovery period, Verizon reasons that cost recovery will not likely occur and that it is equally unlikely that the surcharge will ever be suspended. Given that the purpose of the report is to determine when to end the surcharge, an unlikely event, Verizon requests that the Commission suspend Verizon's obligation to file the report. Verizon also recommends that a trigger be established to reimpose the report filing obligation when any future annual surcharge revenues exceed 125% of 2002 surcharge revenues, the last year for which a report was filed.

Requirements of § 2884⁵

Pursuant to § 2884, the Commission shall not impose any costs of providing the 900/976 blocking option on "residential telephone subscribers," and the Commission is to implement a method by which telephone corporations

⁴ This is the report requirement which Verizon seeks to suspend.

⁵ All citations are to the Public Utilities Code unless otherwise indicated.

are “recompensed” for these costs. This decision does not authorize any change in ratemaking treatment for the unrecovered 900/976 costs.⁶

The Commission adopted the surcharge as the method for Verizon to recover the costs of the blocking program. Verizon states that it has no intention of seeking Commission authorization to increase the surcharge to recover its costs.

Therefore, we conclude that today’s decision is consistent with § 2884 because it will not alter ratemaking for residential customers and the cost recovery method adopted by the Commission D.91-04-065 is available to Verizon should it choose to pursue recovery of these costs.

Discussion

In D.91-04-065, we established a mechanism to recover the costs of offering customers the option of blocking 900/976 calls. The primary focus of that decision was determining how to end the surcharge when the costs were fully recovered; then expected to be about 7 years. The internet, however, has largely replaced 900/976 services, and Verizon’s surcharge revenues are substantially below what was anticipated. Consequently, the cost recovery timeframe is now anticipated to stretch for over half a millennium, and seriously undermines any need for the annual report.

⁶ The Commission sets Verizon residential rates under the New Regulatory Framework (NRF), which caps Verizon tariffed prices. See D.89-10-031. To recover a specific additional cost, such as the unrecovered blocking cost, Verizon would have to request NRF Limited Exogenous Factor (LE factor) treatment which requires explicit Commission approval and would lead to a surcharge on customers’ bills. See D.98-10-026. Given the prohibition found in § 2884, such approval would be unlikely.

We conclude that the rationale supporting the compliance report requirement in D.91-04-065 is no longer valid. We will, therefore, grant Verizon's request and suspend its report obligation until such time as its annual surcharge revenues exceed 125% of its 2002 surcharge revenues.

Categorization and Need for Hearing

In Resolution ALJ 176-3129 dated February 26, 2004, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received, and it is not necessary to alter the preliminary determinations.

Comments on Draft Decision

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code, the otherwise applicable 30-day period for public review and comment is being waived.

Assignment of Proceeding

Loretta M. Lynch is the Assigned Commissioner and Maribeth A. Bushey is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The primary purpose of the report requirement in D.01-04-065 was to monitor 900/976 call blocking surcharge revenue.
2. Surcharge revenues are substantially below what was anticipated and Verizon estimates that it will take over 500 years to recover all costs associated with offering 900/976 blocking to customers.
3. This decision does not change the ratemaking treatment of 900/976 costs for residential customers.

Conclusions of Law

1. The report requirement is no longer necessary.

2. Verizon's request to suspend the report-filing requirement until such time as its annual surcharge revenue exceeds 125% of its 2002 surcharge revenue should be granted.

3. Verizon should continue to monitor and account for the surcharge revenue and the cost of providing the 900/976 blocking option.

O R D E R

Therefore, **IT IS ORDERED** that:

1. The report requirement set out in Ordering Paragraph 5 of Decision 91-04-065 is suspended for Verizon California, Inc, (Verizon), until such time as its annual surcharge revenue exceeds 125% of Verizon's 2002 surcharge revenue.

2. Verizon shall continue to monitor and account for the surcharge revenue and the cost of providing the 900/976 blocking option.

3. Application 04-02-011 is closed.

This order is effective today.

Dated _____, at San Francisco, California.